

DRAFT

Scenario IV

Trust Fund Investments

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SCENARIO IV – TRUST FUND INVESTMENTS

Federal trust funds are managed either by a Federal program agency or by the Bureau of the Public Debt (BPD) on behalf of an agency. Investment decisions of the funds are made by the managing entity.

The Secretary of the Treasury is responsible for administering the investment programs for Federal accounts that are authorized by law to invest in interest bearing obligations of the United States Government. The role of Treasury is two-fold. Treasury is responsible for 1) acting as executor of investment decisions directed by Federal program agencies, and 2) maintaining the role of managing trustee, wherein the investment decisions for certain funds are made and executed by Treasury. Both of these mission critical functions have been delegated to the BPD.

The scenario that follows is applicable to both agency-managed and BPD-managed trust funds. The transactions herein are to be recorded by the entity that manages the fund, whether it be the agency, or the BPD acting on behalf of the agency.

Trust fund investments are primarily in public debt securities with maturities suitable to the needs of the fund. Investments are presented budgetarily on a cash basis. Budgetary entries are recorded for purchased premiums, redemptions, and interest earned. The budgetary balances are reflected on the SF 133: Report on Budget Execution and Program and Financing Schedule (P&F). The FMS 2108: Year-End Closing Statement tracks year-end unobligated invested balances for investments held and unrealized discounts, which are captured in proprietary SGL accounts.

For trust funds managed by Federal program agencies (e.g. Civil Service Retirement and Disability Trust Fund), it is the program agencies' responsibility to determine amounts to be invested and the terms of the investments, as well as calling the BPD with specific investment/redemption orders.

It is also the agencies' responsibility to report the investment activity via the SF 224: Statement of Transactions, FACTS I, FACTS II (SF 133, FMS 2108, P&F), and on the agency financial statements.

For trust funds managed by the BPD (e.g. Federal Old Age and Survivors Insurance Trust Fund, Unemployment Trust Fund), the BPD has a statutory responsibility to administer and monitor the daily activities of the managed trust funds for receipts, investments, redemptions, and interest calculations. Unlike the responsibilities described above for the agency-managed trust funds, the BPD reports the investment activity via the SF 224: Statement of Transactions for the trust funds it manages. The BPD is also responsible for reporting the appropriate investment figures through FACTS II, and providing the same information to the agency responsible for FACTS I reporting and the agency financial statements.

This scenario is specific to trust funds, and illustrates basic investment transactions. For more detailed transactions and reporting requirements, refer to OMB Circulars A-34 and A-11, Treasury's TFM Part 2 - Chapter 4300, the Intragovernmental Fiduciary Transactions Accounting Guide, and additional

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individualized scenarios developed by the SGL staff.

Assumptions

This scenario assumes non-exchange revenue and non-exchange interest on investments. For guidance on interest classified as exchange, refer to FASAB Standard #7 & 306-308. This scenario also assumes that the programs of the investing entity are not subject to apportionment.

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SCENARIO IV – TRUST FUND INVESTMENTS

1. On October 1 receipts of \$1,000,000 are collected into trust fund receipt account for taxes on benefits and automatically appropriated to the corresponding expenditure account.

Proprietary

1010	Fund Balance With Treasury	1,000,000
5800	Tax Revenue Collected	1,000,000

Budgetary

4114	Appropriated Trust or Special Fund Receipts	1,000,000
4620	Unobligated Funds Not Subject to Apportionment	1,000,000

2. The fund immediately invests the receipts in U.S. Treasury Security A issued by the Bureau of Public Debt. The security has a par value of \$1,000,000 and was purchased at a **discount** of \$200,000.

Proprietary

1610	Investments in U.S. Treasury Securities Issued by Public Debt	1,000,000
1611	Discount on U.S. Treasury Securities Issued by Public Debt	200,000
1010	Fund Balance With Treasury	800,000

Budgetary (none)

3. On September 30 Security A matures

A. To record the amortization

Proprietary

1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt	200,000
5310	Interest Revenue	200,000

Budgetary (none)

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B. To record the redemption

Proprietary

1010	Fund Balance With Treasury	1,000,000	
1610	Investments in U.S. Treasury Securities Issued by Public Debt		1,000,000
1611	Discount on U.S. Treasury Securities Issued by Public Debt	200,000	
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt		200,000

Budgetary

4114	Appropriated Trust or Special Fund Receipts	200,000	
4620	Unobligated Funds Not Subject to Apportionment		200,000

4. To record \$8,000 of payments to the public

Proprietary

6100	Operating Expenses/Program Costs	8,000	
1010	Fund Balance With Treasury		8,000

Budgetary

4620	Unobligated Funds Not Subject to Apportionment	8,000	
4902	Expended Authority - Paid		8,000

5. Additional receipts of \$5,000,000 are collected into the same trust fund receipt account and automatically appropriated to the corresponding expenditure account.

Proprietary

1010	Fund Balance With Treasury	5,000,000	
5800	Tax Revenue Collected		5,000,000

Budgetary

4114	Appropriated Trust or Special Fund Receipts	5,000,000	
4620	Unobligated Funds Not Subject to Apportionment		5,000,000

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SCENARIO IV – TRUST FUND INVESTMENTS

6. The fund immediately invests the receipts in U.S. Treasury Security B issued by the Bureau of Public Debt. The security has a par value of \$5,000,000 and was purchased for a **premium** of \$250,000.

Proprietary

1610	Investments in U.S. Treasury Securities Issued by Public Debt	5,000,000	
1612	Premium on U.S. Treasury Securities Issued by Public Debt	250,000	
1010	Fund Balance With Treasury		5,250,000

Budgetary

4620	Unobligated Funds Not Subject to Apportionment	250,000	
4114	Appropriated Trust or Special Fund Receipts		250,000

7. To record interest receivable on April 1

Proprietary

1340	Interest Receivable	100,000	
5310	Interest Revenue		100,000

Budgetary (none)

8. On September 30 Security B matures

A. To record the collection of interest

Proprietary

1010	Fund Balance With Treasury	100,000	
1340	Interest Receivable		100,000

Budgetary

4114	Appropriated Trust or Special Fund Receipts	100,000	
4620	Unobligated Funds Not Subject to Apportionment		100,000

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B. To record the amortization

Proprietary

5310	Interest Revenue	250,000	
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt		250,000

C. To record the redemption

Proprietary

1010	Fund Balance With Treasury	5,000,000	
1610	Investments in U.S. Treasury Securities Issued by Public Debt		5,000,000
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt	250,000	
1612	Premium on U.S. Treasury Securities Issued by Public Debt		250,000

Budgetary (none)

9. To record \$4,000 of payments to the public

Proprietary

6100	Operating Expenses/Program Costs	4,000	
1010	Fund Balance With Treasury		4,000

Budgetary

4620	Unobligated Funds Not Subject to Apportionment	4,000	
4902	Expended Authority - Paid		4,000

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Note: For those trust funds whose receipts are limited to the year's obligations, an adjusting entry is required. Follow the guidance in Section II: Trust Funds Subject to Limitation for treatment of unobligated balances.

PRE-CLOSING ADJUSTED TRIAL BALANCES

Proprietary

Acct	Debit	Credit
1010	6,038,000	
5310		50,000
5800		6,000,000
6100	12,000	
	<u>\$6,050,000</u>	<u>\$6,050,000</u>

Budgetary

Acct	Debit	Credit
4114	6,050,000	
4620		6,038,000
4902		12,000
	<u>\$6,050,000</u>	<u>\$6,050,000</u>

CLOSING ENTRIES

Proprietary

C1)	5310	\$50,000
	5800	\$6,000,000
	3310	\$6,050,000
C2)	3310	\$12,000
	6100	\$12,000

Budgetary

C1)	4201	\$6,050,000
	4114	\$6,050,000
C2)	4902	\$12,000
	4201	\$12,000

POST-CLOSING TRIAL BALANCES

Proprietary

Acct	Debit	Credit
1010	6,038,000	
3310		6,038,000
	<u>\$6,038,000</u>	<u>\$6,038,000</u>

Budgetary

Acct	Debit	Credit
4201	6,038,000	
4620		6,038,000
	<u>\$6,038,000</u>	<u>\$6,038,000</u>

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SCENARIO IV – TRUST FUND INVESTMENTS

BALANCE SHEET

ASSETS

1.	Entity Assets	
	A. Intragovernmental	
	1. Fund Balance with Treasury (1010)	6,038,000
	B. Governmental	
	C. Total Entity Assets	6,038,000
2.	Non-Entity Assets	
3.	Total Assets	<u>6,038,000</u>

LIABILITIES

4.	Liabilities Covered by Budgetary Resources	
5.	Liabilities Not Covered by Budgetary Resources	
6.	Total Liabilities	0

NET POSITION

7.	Unexpended Appropriations	
8.	Cumulative Results of Operations (3310)	6,038,000
9.	Total Net Position	6,038,000
10.	Total Liabilities and Net Position	<u>6,038,000</u>

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SCENARIO IV – TRUST FUND INVESTMENTS

STATEMENT OF NET COST

1.	Program Costs	
	A. Intragovernmental	
	B. Public	
	1. Production (6100N)	12,000
	C. Total Program Cost	
	D. Less Earned Revenues	0 *
	E. Net Program Costs	12,000
2.	Costs Not Assigned to Programs	
3.	Less Earned Revenues Not Attributable to Programs	
5.	Net Cost Of Operations	<u>12,000</u>

STATEMENT OF CHANGES IN NET POSITION

1.	Net Cost of Operations	12,000
2.	Financing Sources	
	(Other than exchange revenues):	
	A. Appropriations Used	
	B. Taxes (and other nonexchange revenue) (5310 + 5800)	6,050,000
	C. Donations (nonexchange revenue)	
	D. Imputed Financing	
	E. Transfers-in	
	F. Transfers-out	
	G. Other	
3.	Net Results of Operations	6,038,000
4.	Prior Period Adjustments	
5.	Net Change in Cumulative Results of Operations	6,038,000
6.	Increase (Decrease) in Unexpended Appropriations	
7.	Change in Net Position	6,038,000
8.	Net Position-Beginning of the Period	0
9.	Net Position-End of Period	<u>6,038,000</u>

* Note: For most trust funds, invested balances are derived predominantly from earmarked taxes and other non-exchange revenue. Accordingly, the interest earned is classified as non-exchange, thus **not** deducted from the gross cost of operations. For those trust funds, however, where the main source of balances consist of exchange revenue (e.g. Civil Service Retirement and Disability fund), the interest shall be classified as exchange, and thus deducted from the gross cost of operations. (See FASAB Standard #7, &306-308).

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SCENARIO IV – TRUST FUND INVESTMENTS

STATEMENT OF FINANCING

1.	Obligations and Nonbudgetary Resources	
A.	Obligations Incurred	
3.	Direct, Not Subject to Apportionment (4902)	12,000
B.	Less: Spending Authority from Offsetting Collections and Adjustments	
1.	Earned Reimbursements	
a.	Collected	
b.	Receivable from Federal Sources	
c.	Trust Fund Receipts Related to Exchange Revenue	0*
2.	Change in Unfilled Customer Orders (Decreases) Increases	
3.	Transfers from Trust Funds	
4.	Recoveries of Prior Year Obligations	
C.	Donations Not in the Entity's Budget	
D.	Financing Imputed for Cost Subsidies	
E.	Transfers-in (out)	
F.	Exchange Revenue Not in the Entity's Budget	
G.	Nonexchange Revenue Not in the Entity's Budget	
H.	Other	
I.	Total Obligations as Adjusted and Nonbudgetary Resources	12,000
2.	Resources That Do Not Fund Net Cost of Operations	
3.	Costs That Do Not Require Resources	
4.	Financing Sources Yet to be Provided	
5.	Net Cost of Operations	<u>12,000</u>

* Note: For trust funds that earn exchange revenue and where interest earned is classified as exchange, those balances would be reflected on this line.

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SCENARIO IV – TRUST FUND INVESTMENTS

SF 133: REPORT ON BUDGET EXECUTION (Year-End)

BUDGETARY RESOURCES

1.	Budget Authority	
	A. Appropriations (4114E)	6,050,000
7.	Total Budgetary Resources	6,050,000

STATUS OF BUDGETARY RESOURCES

8.	Obligations Incurred (4902E)	12,000
9B.	Unobligated Balance (available) – Not Subject to Apportionment (4620E)	6,038,000
11.	Total, Status of Budgetary Resources	6,050,000

RELATION OF OBLIGATIONS TO OUTLAYS

15.	Outlays	
	A. Disbursements (4902E)	12,000

* Note: For trust funds with limitations on obligations, unobligated balances at year end are to be reported on Line 5 of the SF 133 (instead of Line 9) as temporarily not available. See Section II – Trust Funds Subject to Limitation.

FMS 2108: YEAR-END CLOSING STATEMENT

Col 5	Post-closing unexpended balance (1010E)	6,038,000
Col 11	Unobligated balance (4620E)	6,038,000

SCHEDULE P - PROGRAM & FINANCING SCHEDULE (P&F)

Budgetary Resources Available for Obligation

2200	New budget authority (gross) (calc) (4114E)	6,050,000
2395	Total new obligations (-) (calc) (4902E)	<u>(12,000)</u>
2499	Total unobligated balance, end of year (4620E)	6,038,000

New Budgetary Authority (Gross) Detail

4027	Appropriation (trust fund, indefinite) (4114E)	6,050,000
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Memorandum Entries

9201	Total investments, start of year (1610B)	0
9202	Total investments, end of year (1610E)	0